



Protect Yourself from Mortgage and Foreclosure Rescue Scams

Homeowners who are finding it difficult to make their mortgage or are facing foreclosure are frequently targets of mortgage and foreclosure rescue scams. The scammers are people or companies that promise to help you save your home or lower your mortgage but actually intend to steal your money, home or most of the equity you have accumulated in your home. They'll take your money and provide no service. It's a growing crisis and costing homeowners thousands of dollars. Listed below are the more common types of mortgage or foreclosure rescue scams.

Phony Counseling or Phantom Help – A scam artist promises a homeowner that they will be able to negotiate a deal with their lender to reduce their mortgage payments and save their home. The scam artist gains credibility by claiming they work for a law firm or credit counselor and promise to handle all of the details for an upfront fee. They often tell homeowners not to contact their lender, lawyer or credit counselor and ask that all mortgage payments be made to them instead of the mortgage provider. Once they have collected their up-front fee or a few mortgage payments, they disappear.

Forensic Audit - A scam artist pretends to be a loan auditor and offers to have an attorney or other expert review a homeowner's loan documents for an up-front fee. The scam artist then claims that they will prepare a report to see if the lender complied with applicable laws. They claim this report will help the homeowner avoid foreclosure, speed-up the loan modification process, reduce monthly mortgage payments and cancel the loan. In reality, these forensic "audits" do little, if anything, to help you with the mortgage or modify the loan.

Foreclosure Rescue – A homeowner is faced with foreclosure and enters into a deal with a scammer who disguises themselves as an investor/buyer. The scammer convinces the homeowner to give the title of their home to either a person or a mortgage company in order to lease the home to the previous owner as a renter with the option to repurchase it over the next few years (usually at a substantially inflated price). The new owner appears to collect the rent and then sells the property or fails to maintain payment on the mortgage and disappears. Eventually the previous owner is forced out the home.

Bait-and-switch – A scam artist approaches distressed homeowners and convinces them to sign papers for another loan to make their mortgage current. Buried in the stack of papers is a document that surrenders the title to the house to the scam artists in exchange for a “rescue” loan (i.e. a loan that supposedly will save the homeowners from foreclosure). In reality the “rescue” loan doesn’t exist and the homeowners have lost the title to their home.

It’s not necessary that you know the name of these scams, but you need to know when something is wrong. Protect yourself and your home by following these tips on how to spot a scam:

- Guarantees to get you a loan modification or stop the foreclosure process no matter what your circumstances.
- Instructions that you not contact your lender, lawyer, or housing counselor.
- Claims that all or most of a company’s customers get loan modifications or mortgage relief.
- Requests or requires an upfront fee before providing you with any services (unless it's a lawyer you've checked out thoroughly), or requirements to collect that fee only by cashier’s check or wire transfer.
- Encourages you to lease your home so you can buy it back over time.
- Recommends that you make your mortgage payments directly to the business instead of your lender.
- Urges you to transfer your property deed or title to the business.
- Offers to buy your home for cash at a fixed price that is inappropriate for the housing market.
- Pressures you to sign papers you have not had a chance to read thoroughly or that you do not understand.

D.C. residents facing foreclosure or having trouble making their mortgage payments should call the D.C. Foreclosure Prevention Hotline at 202-265-CALL (2255) or 1-855-449-CALL (2255) for assistance such as free housing counseling and legal aid. Also, the D.C. Department of Insurance, Securities and Banking administers the D.C. Foreclosure Mediation Program where homeowners and lenders meet face-to-face to discuss alternatives to foreclosure. You can find more information on the D.C. Foreclosure Mediation Program online at disb.dc.gov.

If you feel you have been a victim of a foreclosure scam or other financial fraud, you should contact the D.C. Department of Insurance, Securities and Banking on 202-727-8000 or online at disb.dc.gov.

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